1967 Annual Report

GULF OIL CORPORATION

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Chairman of the Board

I. G. DAVIS
F. R. DENTON
B. R. DORSEY
E. D. LOUGHNEY
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ROYCE H. SAVAGE
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W. K. WHITEFORD
GEORGE W. WYCKOFF

J. F. DRAKE, *Director Emeritus*

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Chairman of the Board and Chief Executive Officer

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Executive Vice President

E. D. LOUGHNEY
Executive Vice President

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General Counsel

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Senior Vice President

T. A. DIETZ
Senior Vice President

R. B. HOFFMAN
Senior Vice President

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CLIFF W. PEERY
Senior Vice President

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Senior Vice President

RUSSELL G. CONNOLLY
Vice President and Secretary

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Comptroller

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World-Wide Coordinator Transportation

PARKMAN H. CLANCY
World-Wide Coordinator Crude Oil

HERBERT I. GOODMAN
Coordinator for Far East

EUGENE HOSFORD
World-Wide Coordinator Exploration and Production

ELSTON R. LAW
Coordinator for Middle East and Africa

T. D. LUMPKIN
Coordinator for Latin America

W. R. LUND
World-Wide Coordinator Gas and Gas Liquids

J. N. McGARVEY
World-Wide Coordinator Product Supply

W. C. OFFUTT
World-Wide Coordinator Refining

R. B. PHILLIPS
Coordinator U. S. Marketing

F. L. PYLE
World-Wide Coordinator Chemicals

G. K. THOMPSON
Coordinator Foreign Marketing

W. B. BILLOCK
Vice President Industrial Relations

W. L. HENRY
Vice President Corporate Development

K. S. MANNING
Vice President Special Assignment

GULF OIL CORPORATION

Executive Offices
Gulf Building, Pittsburgh, Pa.

OTHER CORPORATE OFFICIALS

C. M. BASS
Director, Organization and Personnel

WARREN B. DAVIS
Director, Planning and Economics

F. D. GASSAWAY
Director, Medical

LEROY MENZING
Director, Information Research

ROBERT SCOTT
Director, Computation and Communication Services

PAUL SHELDON
Director, Advertising

F. W. STANDEFER
Director, Taxes

CRAIG THOMPSON
Director, Public Relations

A. E. URICH
Director, Purchasing

CLAUDE C. WILD, JR.
Director, Governmental Relations Washington, D. C.

AREA REPRESENTATIVES

A. DENYS CADMAN
Executive Representative New York, New York

W. T. GRUMMER
Executive Financial Representative New York, New York

W. W. FINLEY, JR.
Tokyo, Japan

JOHN FITZPATRICK
Madrid, Spain

J. C. HEGGBLOM
Copenhagen, Denmark

NICOLO PIGNATELLI
Rome, Italy

O. I. TORKELSEN
Johannesburg, South Africa

A. R. MARTIN
Executive Vice President Gulf Eastern Company London, England

M. L. RALSTON
Executive Vice President Korea Gulf Oil Company Seoul, Korea

F. L. WHITTINGTON
Executive Vice President South East Asia Gulf Company Bangkok, Thailand

ARTHUR G. TRUDEAU
President Gulf Research & Development Company Harmarville, Pa.

1967 Annual Report
GULF OIL CORPORATION

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ABOUT THE COVER

The global aspect of Gulf's operations and the various facets of its activities are combined to form a pictorial symbol of energy for this year's Annual Report.

REGISTRARS

Morgan Guaranty Trust Company of New York, New York

Pittsburgh National Bank, Pittsburgh

The First National Bank of Chicago, Chicago

TRANSFER AGENTS

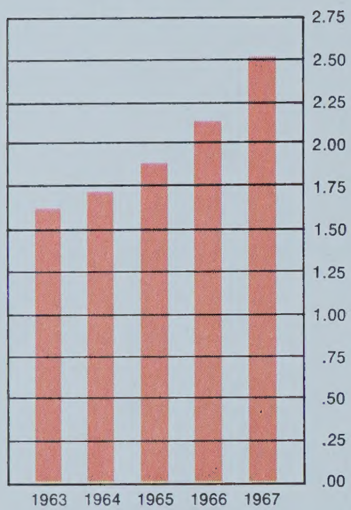
Bankers Trust Company, New York

Mellon National Bank and Trust Company, Pittsburgh

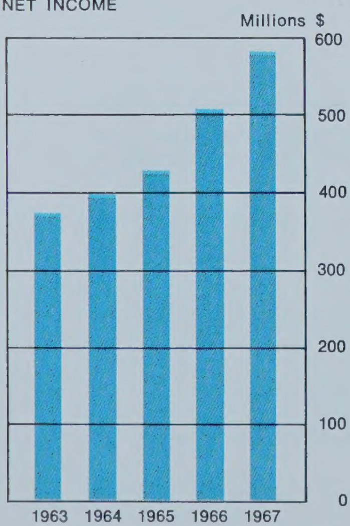
Continental Illinois National Bank and Trust Company of Chicago, Chicago

Highlights

CASH DIVIDENDS PER SHARE



NET INCOME



Financial Data

	1967	1966
Income before extraordinary items . .	$ 568,347,000	—
Per Share*	$5.48	—
Net Income	$ 578,287,000	$ 504,762,000
Per Share*	$5.58	$4.87
Cash Dividends	$ 259,142,000	$ 217,583,000
Per Share	$2.50	$2.10
Working Capital (current assets less current liabilities)	$ 851,393,000	$ 871,447,000
Long-Term Debt	$ 694,016,000	$ 609,123,000
Total Assets	$6,457,954,000	$5,891,513,000
Sales and Other Operating Revenues	$5,109,597,000	$4,655,983,000
Depreciation, Depletion, etc.	$ 367,746,000	$ 328,398,000
Capital Expenditures	$ 864,852,000	$ 715,330,000

*Per share computation is based on shares outstanding at the end of each year.

Operations**

	1967	1966
Net Crude Oil and Gas Liquids Produced (daily average barrels) .	2,374,721	2,233,345
Net Natural Gas Produced (thousand cubic feet per day)	2,688,029	2,366,615
Crude Oil Processed (daily average barrels)	1,386,583	1,323,370
Refined Products Sold (daily average barrels)	1,329,270	1,252,901
Coal Mined (daily average tons).	24,586	24,220
Chemicals Sold (daily average tons).	8,368	8,987

**Beginning in 1967, operating data include 100% of volumes of all subsidiaries consolidated (more than 50% owned). In prior years, operating data included Gulf's share in all operations in which it had an interest. Accordingly, the operating data for 1966 have been restated for comparative purposes.

March 15, 1968

To the Shareholders of
Gulf Oil Corporation

We are pleased to report that in 1967, for the eighth consecutive year, Gulf Oil Corporation established new high records in net income, cash dividends paid, and in volumes produced, processed and sold in most categories of the company's business.

Earnings from operations were $568,347,000, or $5.48 per share. This was 12.6 per cent higher than in 1966 and, as in each of the preceding two years, more than 70 per cent came from operations attributable to the United States.

In addition to the earnings from operations, there was a capital gain of $25,142,000 from the sale of Gulf's interest in Transwestern Pipeline Company. This non-recurring gain was partly offset by a one-time loss of $11,300,000 due to devaluation of currencies in several of the countries in which we operate. The resultant non-recurring gain after tax of $9,940,000 brought net income for 1967 to $578,287,000, or $5.58 per share, compared to $504,762,000, or $4.87 per share, in 1966.

In April, the Board of Directors increased the quarterly dividend from 55 to 65 cents per share. The higher rate was paid in three quarters of 1967, with the result that cash dividends distributed during the year were $2.50 per share for a total of $259,142,000, or $41,559,000 more than was paid in 1966.

The 12.6 per cent gain in earnings from operations was particularly gratifying, in view of the fact that 1967 was a year in which many difficulties arose that had an adverse effect on our business. These included:

• An oversupply of products in the chemical industry which resulted in depressed prices.

• A conflict in the Middle East that closed the Suez Canal and disrupted the normal pattern of oil movements in the Eastern Hemisphere, causing a substantial increase in shipping costs. By increasing production in the United States, Canada, Iran, Venezuela and elsewhere, and by reorganizing shipping schedules, we were able to keep all of our customers in Europe and the Far East adequately supplied.

• Coincident with the closing of the Suez Canal, civil war broke out in Nigeria. While production there was not interrupted, the fighting did delay the installation of equipment necessary to increase production. We had anticipated bringing production up to a level of about 100,000 barrels per day by the end of 1967, but this could not be realized. Construction has been resumed, however, and we now expect to raise production to a level of about 170,000 barrels per day by the end of 1968.

On several occasions in the past, we have said, in these annual reports, that one of the principal purposes of our very large exploratory and capital expenditure programs is to establish diversity in the sources and quality of our crude, and to maintain an intensive effort to improve the efficiency of our operations, so that we would possess the flexibility to offset the effects of political disturbance in any one, or even several areas, as they might arise from time to time.

In our view, 1967 was a year of test in which Gulf demonstrated the strength and adaptability required to overcome adverse developments.

Now, 1968 has begun as another year which will further test our capacity to adapt to changing conditions. One of these is the restriction that the U.S. government has placed on foreign capital investment. While we appreciate the reasons for this, and will continue to cooperate with our government in achieving its aims, it needs to be emphasized that as far as U.S. industry is concerned, a favorable balance of payments already exists. Since industry is not a contributing factor in the overall imbalance it would, in our view, be a serious mistake to impose restrictions on industry for the long-term. Our position is that while restrictions may require us to reorganize our plans for future investment, they will not reduce capital expenditures we feel are necessary for the continued long-term growth of the company.

Another problem facing us in 1968 is an unusually heavy attack on the mineral depletion provisions of our Federal tax laws. This is a situation which should cause particular concern to all extractive industries because, while the attack has been focused on the oil industry, any change in the depletion law will affect every extractive industry from gold to gravel.

It has been difficult to understand the severity of these attacks on percentage depletion. To reduce or eliminate this provision would have the effect of building into our economy an additional cost and price spiral, to which neither the American consumer, nor industry, has been subjected since the U.S. Congress established depletion in 1926. Depletion's purpose from the very beginning has been to encourage, through incentive, the risky business of exploring for and developing natural resources to assure our economy sufficient reserves of all minerals.

We feel that percentage depletion has made a vital contribution to the strength and wealth of the nation by encouraging individuals and companies to find and produce the reasonably priced energy necessary to industrial growth, and further that the production of energy is an activity that the nation cannot afford to curtail or

abandon. In our view, while there is a world-wide adequacy of petroleum reserves, those in the United States have not kept pace with the volume of crude oil and natural gas we have produced and consumed. Unless the search for new reserves in the U.S. continues to be encouraged we may, one day not too far off, face a degree of insufficiency that will seriously weaken our present posture of national self-dependence. Our national economy needs all the oil and gas that can be found in the United States, and our industry needs all the capital resources necessary to finance intensified exploration and development.

Thus, the outlook is that reduction or elimination of percentage depletion will produce two results. The price of crude, and consequently the price of gasoline undoubtedly will go up, and the exploratory activity necessary to maintain adequate reserves in the United States will go down, thereby endangering the industry's ability to meet the nation's future requirements.

It seems to us that if we ever had a demonstration of the wisdom of our national and state oil policies—and percentage depletion is an integral and indispensable element of those policies—it was in the events that followed the recent Suez closure. Because it had the reserves available and was able to produce them quickly, the United States, with help from Canada, Venezuela and other countries, was able to meet Europe's requirements without delay and with no instance of European hardship.

The maintenance of an oil industry capable of such emergency action is not, as some economists claim, a luxury the United States cannot afford; it is, rather, a necessity the United States cannot afford to be without. It is with this thought in mind that we close this letter with a tribute to Gulf employees. During 1967, they have met unusual situations, sometimes involving personal hardships and physical dangers for themselves and their families, with energy, ingenuity, and a spirit of devotion to the successful fulfillment of their jobs. We, as spokesmen for management, commend them to you, our shareholders, with thanks for their performance.

Respectfully submitted,

E. D. Brockett
Chairman of the Board

B.R. Dorsey

B. R. Dorsey
President

Exploration

As of December 31, 1967, Gulf held by mineral fee, leaseholds or concession, 11,319,000 acres of oil or gas producing properties, and 127,154,000 acres of non-producing properties around the world. Geographically, these holdings were distributed as follows:

	Producing	Non-Producing
U. S.	1,688,000	5,913,000
Canada	664,000	23,107,000
Other Western Hemisphere	836,000	18,347,000
Eastern Hemisphere	8,131,000	79,787,000

During the year, programs of development drilling, wildcatting or other exploratory activity were carried on which covered very large areas of the total acreage. In the course of this activity, Gulf drilled, or participated with others in drilling, 1,242 wells, of which 812 were completed as oil producers and 152 as gas wells. Included among the producing oil wells were 624 in the United States, 53 in Kuwait, 45 in Venezuela, and 30 in Canada, while the gas wells included 112 in the United States and 33 in Canada.

In the United States, heaviest emphasis continued to be placed on exploratory and development drilling in the offshore Louisiana area.

During the past two years, however, there has been a steady increase in gas well drilling activities in the Delaware Basin of Reeves and Pecos Counties in West Texas, where Gulf is carrying out exploratory and development programs for its own account as well as in partnerships with others. The new gas wells, although deep and expensive, have an Ellenberger pay section ranging from 1,200 to 1,600 feet thick and have developed very substantial gas reserves. Most of the wells have been completed as prolific gas producers. In the Gomez field, northwest Pecos County, Gulf owns, or is a participant in, 16 completed producers, one of which has a calculated open flow potential of 790,000,000 cubic feet per day.

On February 6, 1968, Gulf participated in a lease sale, in which 71 blocks of California offshore acreage in the vicinity of Santa Barbara were awarded to the highest bidders. Total bonuses paid by all successful bidders were $603,000,000, a new high record for such sales. In partnership with three other oil companies, Gulf was successful in obtaining interests in leases on 11 of the 71 blocks, covering 62,640 acres. Gulf obtained 16,400 net acres for a total commitment of $54,400,000. Drilling on this newly acquired acreage will begin in the very near future.

Overseas, the most active wildcatting and developing programs continued to be those in offshore Nigeria, offshore Cabinda on the coast of the Portuguese West African province of Angola, in Bolivia and in jungles of Colombia and Ecuador in South America.

In Nigeria, 16 additional wells were completed as oil producers during 1967. Only a portion of the completed wells in that area are now producing, due to delays in the construction of production facilities occasioned by civil strife. They will be hooked up as gathering lines, loading buoys, and storage tanks are completed, and it is anticipated that the volume of Nigerian production will move sharply upward after midyear of 1968. Meanwhile, an exploratory drilling program will be continued.

In Cabinda, both exploratory and development drilling progressed. In August, 1967, Gulf officially informed the governments of Portugal and Angola that production would begin in late 1968, and was expected to reach a level of 30,000 barrels per day by the end of the year. Thereafter, it will be rapidly increased, as additional wells are drilled and other facilities installed, to an expected level of 150,000 daily barrels by the end of 1970.

In the Putumayo area of Colombia, where Gulf is in partnership with another oil company, drillers continued to bring in additional wells preparatory to the completion of a 16-inch pipe line which will cross the Andes and link the jungle oil fields with the seaport town of Tumaco. During the last half of 1967, work on the pipe line was proceeding satisfactorily, with the expectation that it would be finished near the end of 1968. Schedules call for production at an initial rate of 50,000 barrels per day to begin with the completion of the pipe line.

The Colombian oil fields lie close to the Ecuadorian border, and in 1966, Gulf and its partner jointly acquired concessions on 5,143,000 acres in Ecuador, where a wildcatting program was begun in 1967. During the year, five wildcat tests were drilled and all were completed as potential producers.

The sum of Gulf's exploratory activity in Africa and South America is that enough new oil has been found since 1963 to add up to 400,000 daily barrels to Gulf production by the end of 1970. All of this new production is low in sulphur content, and in great demand in many areas of the world. This new production is in addition to normal increases in the United States, Canada, Kuwait, Iran and elsewhere, which have, over the past ten years, averaged 100,000 daily barrels per year.

Elsewhere around the world, the status of exploratory activity was as follows:

NORTH SEA Drilling continued offshore in Denmark and in the United Kingdom's North Sea shelf. Off Norway, where Gulf acquired a

concession on 825,000 acres in 1965, geological and geophysical work was carried on.

SPAIN AND SPANISH TERRITORIES Two dry holes were drilled in offshore areas of Spanish Sahara, and one hole was drilled offshore of the island of Fernando Poo, after which drilling activity was suspended pending further evaluation.

CAMEROON Geological surveys begun in 1966 were continued through 1967.

LIBYA During 1967, Gulf entered an agreement with another oil company which holds acreage adjacent to Gulf's in an effort to determine if enough production can be developed to warrant construction of a pipe line to the sea-

To assure adequate reserves a decade hence, Gulf is seeking, finding, and developing production on a global basis. During 1967, Gulf drilled, or participated in drilling, 1,242 wells of which 964 were producers.

coast. Gulf's current position is that it has an estimated 30,000 daily barrels of potential production in Libya, located some 200 miles inland from the nearest port. This is not enough to justify the cost of a wholly-owned pipe line.

ETHIOPIA In 1966, one dry hole was drilled offshore in the Red Sea and further drilling thereupon was suspended pending more geophysical work. Seismic surveying continued through 1967 and a second wildcat well is scheduled to be drilled in late 1968.

MOZAMBIQUE Two additional gas wells were completed in 1967, but gas reserves have not yet been put into production.

AUSTRALIA In 1965, Gulf acquired a concession covering 36,000,000 offshore acres lying between Queensland and the Great Barrier Reef. After two years of geophysical surveying, the first exploratory hole—which proved to be dry—was drilled. Drilling is continuing.

THAILAND In the late summer of 1967, the Government of Thailand gave cabinet approval to a Gulf application for a concession to explore for oil and gas on three offshore blocks in the Gulf of Siam, and one onshore block in the vicinity of Bangkok. Following the signing of a petroleum agreement governing the concession, Gulf expects to begin exploratory surveys. This is the first concession obtained by the company in South East Asia.

Production

World-wide net production of crude oil and condensate by Gulf and subsidiaries which are more than 50 per cent owned by Gulf, in 1967 averaged 2,281,386 daily barrels, an increase of 123,021 barrels above the 1966 daily average of 2,158,365.

By areas, and including Gulf's share in production by companies in which Gulf has an equity of 50 per cent or less, the volumes were as follows:

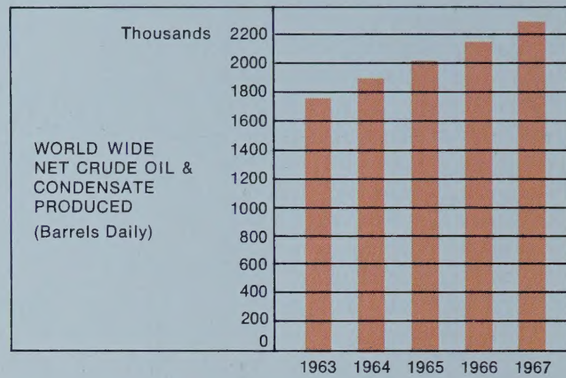
CRUDE OIL AND CONDENSATE
(daily average barrels)

	1967	1966	Increase (Decrease)
United States	510,646	471,406	39,240
Kuwait	1,312,624	1,305,319	7,305
Venezuela	169,771	149,374	20,397
Iran	140,168	113,688	26,480
Canada	64,664	60,518	4,146
Nigeria	54,763	51,000	3,763
Bolivia	28,750	7,060	21,690
	2,281,386	2,158,365	123,021
Equity Interest (50% or Less)			
France	6,789	6,865	(76)

The table above spells out the effects of the Middle East conflict and the closure of the Suez Canal on the pattern of production in 1967, and, at the same time, demonstrates the strength and flexibility that has been attained by developing a geographical diversity of crude sources.

From 1962 to mid-1967, Gulf's net production of crude and condensate increased at the average rate of 115,000 daily barrels per year.

Due to a price structure imposed by Venezuelan taxes, oil from that country had become increasingly difficult to sell in European markets, and from 1962 onward there had been a falling off of Venezuelan production averaging 2,500 daily barrels per year. In 1967, these patterns of production proceeded normally until the first week in June, when fighting broke out in the Middle East, and the Suez Canal was closed.



Actual production in Kuwait was shut down for about 48 hours at the request, and with the full cooperation of the Kuwait Government, in the interest of public safety. When it became apparent that there would be no problems, production was rapidly resumed. Throughout the period—and, indeed, the entire following time up to now—the relationship between company representatives and the Kuwait Government was one of mutual understanding and cooperation. However, the Kuwait Government, in common with other Arab oil producing countries, imposed an embargo on oil shipments to the United Kingdom and the United States which continued until October, although deliveries to other countries in Europe and elsewhere resumed a comparatively normal pattern as rapidly as shipping schedules could be reorganized to allow for the longer haul around the southern tip of Africa.

In the interim, a period of roughly four months from June to October, Gulf made up the deficit of Kuwait oil from quickly producible reserves in the United States, Canada, Iran, Venezuela and elsewhere, but mainly from these four sources.

As a result, for the whole of 1967, what might have been an increase of 25,000 daily barrels in the United States became 39,000; Iran's average annual increase of 13,000 daily barrels was doubled; and Venezuelan production climbed to the highest average daily level it has had in the 32 years of Gulf's operations there.

Meanwhile, Gulf's ability to cope with the emergency was still further strengthened by oil from Nigeria, where production began in 1965, and Bolivia, which, in June, had been in export production less than a full year.

Because of its long-term exploratory and development program which seeks to find and produce oil and gas in many areas of the world,

Gulf was enabled to complete the year with an increase in net production of 123,000 daily barrels, which is 8,000 barrels per day above the average increase for the period 1962 through mid-1967.

The Pittsburg & Midway Coal Mining Company of Kansas City, Missouri, a wholly-owned Gulf subsidiary, operates coal mines in Kansas, Kentucky, Colorado and New Mexico. Production in 1967 was 8,973,970 tons, an increase of 133,669 tons over 1966.

'Round the clock drilling proceeds in Reeves and Pecos Counties, Texas, where new and extensive gas finds have been made in the Delaware Basin area where Gulf has over 500,000 acres under lease. Gas from the wells is being delivered to California markets.

Natural Gas and Gas Liquids

For the past ten years, Gulf has made the production and sale of natural gas and gas liquids an increasingly important part of its business, and in the past five years the volume of natural

gas produced in the United States has almost doubled. During 1967, still further gains, both in the U.S. and elsewhere, were made as follows:

NATURAL GAS PRODUCTION
(Thousand cubic feet per day)

	1967	1966	Increase
United States	2,151,827	1,876,371	275,456
Other Western Hemisphere ...	372,793	355,824	16,969
Eastern Hemisphere (Kuwait).	163,409	134,420	28,989
Total	2,688,029	2,366,615	321,414

NATURAL GAS LIQUIDS PRODUCTION
(Daily average barrels)

	1967	1966	Increase
United States	65,024	48,271	16,753
Other	28,311	26,709	1,602
Total	93,335	74,980	18,355

United States production of natural gas represented a 14.7 per cent increase over 1966. In large part, this was due to escalating deliveries to Texas Eastern Transmission Corporation from the new gas processing plant at Venice, Louisiana, which is supplied by offshore Louisiana production, and increased sales to Transwestern Pipeline Company from gas fields in West Texas.

In November, sales to Texas Eastern increased to 425 million cubic feet per day, and under a long-term contract they will be increased again in November of 1968 to 500 million cubic feet per day.

Within the past several years, demand for natural gas in the United States has been increasing faster than new reserves are being found. This should in time exert upward pressure on today's gas prices; however, exploration for gas reserves continues to be confined primarily to areas known to be exceptionally prolific.

As a result of the expansion of facilities at eight gas liquids plants, and the completion of the gas liquids plant at the Venice refinery, Gulf's gas liquids production in the United States, at the end of 1967, was substantially higher than the 65,000 daily average barrels for the entire year.

Throughout the year, Gulf's gas liquids plant in Venezuela operated at full capacity, but was unable to meet South American demand. The plant is now in process of expansion, which will increase its capacity by 50 per cent. Meanwhile, increasing South American sales have been supplied from Gulf's gas liquids terminal near Houston, Texas, and the outlook is that Houston will handle an increasing volume of exports to South America, Europe, and possibly even Japan, even after completion of the additional Venezuelan facilities.

During 1967, Gulf continued to be the largest supplier of gas liquids to Japan, some going from Canada and some from Kuwait. Under agreements already concluded, sales to Japanese customers will increase substantially again in 1968. A fifth expansion of the Kuwait plant has been completed early in 1968, raising its capacity by 28.5 per cent, and markets already established in South America and the Far East provide assurance of future growth.

The volume of natural gas and gas liquids sold by Gulf during 1967 was equivalent (BTU basis) to 550,000 barrels per day of crude oil.

Chemicals

Gulf's chemical products, which fall into three major classifications—petrochemicals, agricultural chemicals and plastics—are largely manu-

factured from feedstocks derived from petroleum, natural gas, and gas liquids. The manufacture and sale of these products by Gulf represents forward integration, whereby more of each barrel of crude processed is converted into higher value material. In addition, through its 50 per cent ownership of Goodrich-Gulf Chemicals, Inc., Gulf also maintains an important position in the manufacture of synthetic rubber from petroleum derived feedstocks. In the Canadian chemical industry, Gulf is active through The British American Oil Company Limited and its subsidiary, Shawinigan Chemicals Limited.

It is characteristic of growth industries that the rapid change for which they are noted makes them vulnerable to occasional periods of overbuilding, and the temporary setback in

Between Baton Rouge and New Orleans on the Mississippi River work proceeds on a new fertilizer manufacturing plant scheduled for completion in mid-year. The basic raw material will be natural gas from Gulf's offshore and Delta gas wells. Other raw materials will be brought in by water. Capacity will be 1,000 tons per day of ammonia and 600 tons per day of urea with additional facilities for making mixed fertilizers.

sales prices and volumes that such a situation can cause. For the U.S. chemical industry, the latter part of 1967 was typical of such periods. Because of the strong sales-purchase relationships between most companies in the chemical field Gulf's chemical business followed the industry pattern of decline and was down 365 tons per day from 1966. Sales were $283,220,000 compared to sales of $335,000,000 in 1966. However, despite the decline from 1966, sales in

1967 were more than three times those of five years ago. By areas and including Gulf's share of sales by companies in which it has an equity of 50 per cent or less, revenue and volume were as follows:

CHEMICALS SOLD

	Revenue 1967	Tons Per Day 1967
United States	$181,672,000	6,925
Canada	35,613,000	1,178
Other Western Hemisphere	4,311,000	87
Eastern Hemisphere	3,295,000	178
	224,891,000	8,368
Equity Interest (50% or Less)	58,329,000	915
Total	$283,220,000	9,283

Throughout 1967, Gulf continued its program of new product development and plant expansion, by which it expects to increase its participation in the long-term growth of the chemical business.

One of the new products being developed is a high protein food product of excellent nutritional value. Feeding tests started during the year are showing encouraging results. A number of other new products are being developed to provide continuing impetus for growth for Gulf's chemical business.

In 1967, Gulf's Petrochemicals Division produced 7.4 million pounds per day of high quality petrochemicals and worked to bring about the systematic expansion and further diversification of its operations. Work continued toward the design and construction of a new plant at Port Arthur, Texas, which will produce more than 900 million pounds per year of ethylene and 350 million pounds of propylene, more than doubling capacity for these products. Ethylene and propylene are basic feedstocks for a wide variety of products, such as the alpha olefins (a Gulf developed product used in detergents and plastics), polyethylene and cumene produced in the company's own operations and for the production of anti-freeze, detergents, fuel additives, plastics, and many other products made by Gulf's customers.

Modification of an existing cumene plant at Philadelphia was completed, increasing its capacity from 330 million pounds per year to 350 million. Expansion to 400 million is planned. Engineering studies were undertaken for a new 300 million pound per year plant at Port Arthur, Texas. Completion of expansion at Philadelphia and Port Arthur will raise company capacity for cumene to 700 million pounds.

In addition, the Petrochemicals Division substantially completed at Philadelphia the first commercial BDTA plant. BDTA is a complex synthetic molecule used in the production of adhesives and plastics for space vehicles and other applications in which high temperature resistance and other extreme properties are required.

Gulf's Plastics Division completed and put on stream a new plant to produce 200 million pounds per year of polyethylene at Cedar Bayou, Texas. The high quality polyethylene product from this plant, and that from the existing plant at Orange, Texas, bring Gulf's capacity to produce the low density material to more than 400 million pounds per year. Polyethylene is used for making packaging, can closures, plastic, paper coatings, pipe and thousands of other products used in almost every phase of our lives.

To broaden its service to the plastics industry, the Plastics Division has announced its intention to produce high density polyethylene, and to this end has retained an engineering firm to design a 100 million pounds per year linear polyethylene plant to be built at Orange, Texas. High density polyethylene is used for plastic bottles, wire and cable insulation and automotive equipment and many other applications.

The development of other types of nylon and the licensing of technology by Gulf for polyethylene and polypropylene to companies in markets otherwise inaccessible to Gulf's products, maximized the benefits from the technology built up in our plastics research and operations.

Gulf's Agricultural Chemicals Division again experienced a year of building and organizational development. Work continued on schedule on the new fertilizer plant, to be called the Faustina Works, on the Mississippi River between Baton Rouge and New Orleans. With the completion of this plant in mid-1968, Gulf will be in a position to manufacture fertilizers with the most efficient equipment yet designed and to ship them at low cost by water barge transportation to strategically placed terminals for distribution and sale to farmers in the nation's principal agricultural areas. To facilitate this distribution, Gulf continued to expand its network of farm centers throughout the heavily agricultural Midwest. At these centers, farmers will be able to obtain a full range of chemical fertilizers, herbicides, pesticides, and other agricultural chemicals. Many centers will also carry a full range of petroleum products required for mechanized farming, such as tractor and automotive fuels, lubricants and bottled LP-gas.

Gulf's ability to compete for the fertilizer, farm chemical, and fuel business of the Midwest farmer will be greatly strengthened as this new and highly efficient manufacturing, transportation and marketing system is completed.

In 1967, the Chemicals Department's Agricultural Division was particularly successful in the marketing of a new product which bears the

trademark name of Carbyne, a herbicide specific for the killing of wild oats in wheat fields. During the year, preparations were also made to introduce in 1968 several additional new herbicides. One of these, called Topcide, is specifically designed to aid sugar beet farmers in ridding beet fields of kochia weed; and several others, as yet unnamed, are designed to eradicate specific weeds from various important commercial crops.

Elsewhere, activities were as follows:

CANADA Construction was nearly completed on a naphtha cracker that will produce 500 million pounds per year of ethylene at the Varennes, Quebec, complex of Shawinigan Chemicals Limited. Shawinigan is one-third owned directly by Gulf and two-thirds by The British American Oil Company Limited, which is 68.02 per cent owned by Gulf. The ethylene will be used as feedstock for a new vinyl chloride unit, and additional product will be available for sale. Shawinigan has established a strong position as a supplier of polyvinyl chloride to the plastics industry. Vinyl is familiar as the upholstery material used in automobiles, flexible wall coverings, and floor tile. Among the new products now being developed from this versatile material are maintenance-free siding for buildings and corrosion-proof pipe for water and sewage systems and transparent plastic bottles.

UNITED KINGDOM By mid-1968, a chemical complex being built in conjunction with the new refinery at Milford Haven, Wales, will come on stream. This plant will produce benzene, cyclohexane, and toluene.

SPAIN In conjunction with Compania Espanola de Minas de Rio Tinto, S.A., Gulf's Spanish partner in a new refinery at Huelva, construction was begun on a second major aromatics facility. The plant, primarily for the production of benzene and cyclohexane, will be owned equally by the two companies.

Also, in 1967, Gulf increased its equity in Fertilizantes de Iberia, S.A., to 50 per cent. The company produces a variety of fertilizer materials and mixtures in plants at Castellon, La Coruna and Huelva, supplying a significant portion of the growing Spanish market for these products. The plants are being expanded to supply the country's growing demands with the addition of an ammonia plant at La Coruna and a phosphoric acid plant at Huelva.

SOUTH AMERICA Operations of Productos Latinoamericanos, S.A., a plastics fabricating company at Guayaquil, Ecuador, were at high rates throughout the year. In addition, Gulf's chemical distribution network in this area was substantially improved.

KOREA Chinhae Chemical Company, Ltd., a fertilizer manufacturer, in which Gulf is a 50 per cent partner with the Korean Government, in mid-1967 went into production on schedule. The plant produces ammonia, urea and phosphoric acid, using these to produce some 264,700 tons per year of high analysis fertilizers, all of which is purchased by the Korean Government and is used in a national program to increase food production.

Refining

During 1967, Gulf's refineries, including those in which the company has an equity of more than 50 per cent, around the world, operated at essentially 100 per cent of design capacity, processing an average of 1,294,927 barrels of crude oil daily. In addition, other refiners processed for Gulf, and to Gulf specifications, an average of 91,656 daily barrels, bringing the combined volume to 1,386,583 barrels per day. This was an increase of 4.8 per cent over the refinery throughput of 1966.

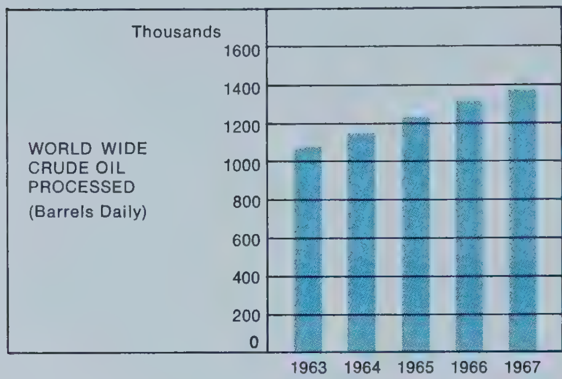
By countries, and including Gulf's share of the throughput of refineries in which Gulf has an equity of 50 per cent or less, the volumes were as follows:

CRUDE OIL PROCESSED
(daily average barrels)

	1967	1966	Increase (Decrease)
U.S., including Puerto Rico	652,272	618,709	33,563
Canada	188,912	179,323	9,589
Venezuela	157,751	151,970	5,781
Netherlands	74,090	59,382	14,708
Denmark	38,170	31,200	6,970
Iran	21,010	21,011	(1)
Kuwait	139,659	129,184	10,475
The Philippines	13,715	12,550	1,165
Taiwan	9,348	8,239	1,109
Processed by Others	91,656	111,802	(20,146)
	1,386,583	1,323,370	63,213
Equity Interest (50% or less)	67,185	41,495	25,690
Total	1,453,768	1,364,865	88,903

In the first quarter of 1967 a new 20,000 barrel per day refinery and 800 million cubic feet per day natural gas processing complex at Venice, Louisiana, was completed and operated the remainder of the year at design capacity. The refining complex includes two Gulf-developed Hydrocracking Units which convert the gas oil and middle distillate fractions of the crude into gasoline. Total gasoline yield of the refinery is 85 per cent which compares to an average of 50 per cent in a conventional refinery. Products consist of three grades of gasoline and a pre-

mium grade of home heating oil which are transferred to a marine terminal at Ostrica, 16 miles away. Storage for the condensate, gas plant products and raw gas liquids is underground, where six storage wells with a combined capacity of three million barrels have been leached out of an underlying salt dome.



During the year, the U. S. refineries made substantial technical and operating improvements in their fluid cracking units resulting in higher yields of gasoline and improved profitability from each barrel of crude.

Elsewhere, refining activities included the following:

CANADA The British American Oil Company Limited, Gulf's Canadian affiliate, announced tentative plans to build a new refinery having access to deep water at Point Tupper in Nova Scotia.

OKINAWA Gulf received a permit from the Ryukyuian Islands Government to build a 100,000 barrel a day refinery in Okinawa which, like the one proposed at Point Tupper, would have access to deep water.

KOREA The Korea Oil Corporation, in which Gulf has a 25 per cent equity, began construction on the second expansion of the refinery at Wulsan in South Korea to raise the refining capacity from 55,000 to 115,000 barrels per day to meet the rapidly expanding market.

SWITZERLAND Gulf acquired a 25 per cent equity in a 50,000 barrel per day refinery operated by Raffinerie de Cressier, S.A. at Neuchatel.

SPAIN In April, officers of Gulf and of Compania Espanola de Minas de Rio Tinto, S.A., Gulf's Spanish partner, participated in the dedication of a new 40,000 barrel per day refinery at Huelva, on the south coast of Spain. Gulf is a 40 per cent owner of the joint operating company, Rio Gulf de Petroleos, S.A. The capacity of the refinery currently is being doubled.

UNITED KINGDOM Construction continued on schedule at the 60,000 barrel per day refinery and chemical complex at Milford Haven, in Wales. Completion is expected in May, 1968.

DENMARK Work was begun on the expansion of the present 35,000 barrel per day refinery at Stignaes increasing its capacity to 70,000 barrels per day, and is expected to be completed in 1968.

ITALY A permit was obtained for construction of a 60,000 barrel per day refinery in the Milan

Expansion of the refinery at Wulsan in South Korea continues. It will raise capacity from 55,000 to 115,000 barrels per day. The facility is owned by the Korea Oil Corporation in which Gulf has a 25% equity.

area in Northern Italy. When completed, the plant will supply Gulf's marketing outlets in Italy and Southern Switzerland.

The completion of the refinery at Milford Haven, the expansion at Stignaes and the proposed construction at Milan will give Gulf sufficient refining capacity to satisfy its European marketing requirements without processing agreements, thereby increasing the profitability of the European operations.

ECUADOR A small refinery at La Libertad in Ecuador was purchased and will be used to support Gulf's marketing effort in that country.

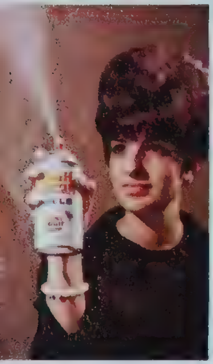
Marketing

World-wide sales of refined products in 1967 were 1,329,270 barrels per day, an increase of 76,369 daily barrels, or 6.1 per cent more than in 1966.

Gulf's long-term marketing program in the United States envisages a national network of high volume retail outlets, strategically located in all of the 48 adjoining states to provide the motor car owner with convenient access to quality products and competent service. In 1966, partly through the purchase of an existing mar-

keting network scattered through 10 Midwestern states, partly through other purchases, and partly through its new station building program, Gulf achieved a long-term objective of becoming a marketer in all of the 48 adjoining states.

In 1967, by conversions to the Gulf identity, and through a continuation of a program of building new stations and upgrading existing ones, this position was strengthened. Gulf put on stream 460 new stations, and completed the rebuilding or modernization of 455 existing stations located in areas with high volume potential. However, the conversion, modernization and new building program is not intended and has not actually had the effect of increasing the total number of retail sales outlets. As new stations are opened, old ones whose potentials have been reduced by changing conditions have been closed. The net effect has been an increase in average sales volume per station and reduction in the total number of outlets with a consequent improvement in operating efficiency.



In the new station program, special emphasis continued to be placed on locations to serve the steadily expanding network of new Interstate highways, and on stations to be operated in conjunction with the Holiday Inns of America, Inc., system. During the year, 62 stations were added to the number operated in conjunction with Holiday Inns, bringing to 418 the total stations in operation and in the planning stage. At the same time, the use of Gulf Travel Cards to charge food, lodging and other services at Holiday Inns continued to increase.

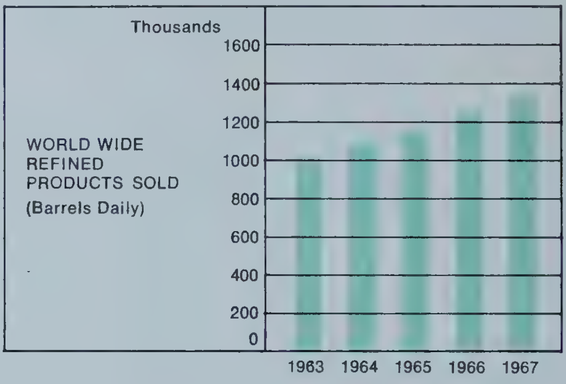
As a further step in increasing the usefulness of the Gulf Travel Card, an arrangement was completed with Avis Rent-a-Car System, whereby Gulf customers may use their travel cards to charge car rentals.

In support of its marketing effort, Gulf began, in 1967, network sponsorship of Walt Disney's *"The Wonderful World of Color"* on NBC Television. In 1968, this sponsorship will be continued, and will be augmented by sponsorship of both the Republican and Democratic National Conventions, also on NBC. Additionally, Gulf will continue sponsorship of NBC Instant News Specials, as it has since 1960. Altogether, Gulf dealers from coast to coast will, in 1968, receive an unprecedented amount of advertising and promotional back-up.

During the year, Gulf's marketing operations in Europe, Latin America and the Far East also pursued programs having the objective of increasing efficiency and obtaining a greater profitability per barrel of product sold, while holding or increasing Gulf's market share.

In Europe, where sales activities are directed from Gulf Eastern Company, London, Gulf has a full line, integrated sales operation in ten countries and limited Gulf brand sales activities in two others. This year over 200 new retail outlets were opened, bringing the total number of outlets to over 5,000. Sales of gasoline and distillate through service stations increased satisfactorily.

For much of the year, European operations were affected by events in the Middle East. A substantial increase in shipping costs occa-



sioned by the Suez Canal closure was partially offset by higher prices, but product prices neither increased enough nor held long enough to entirely offset the higher shipping costs.

Gulf Oil Trading Company, which, headquartered in New York, supervises a world-wide sales organization to market a full line of fuels and lubricants to the international marine trade, once again accomplished gratifying gains in their sales. In 1967 Gulf Oil Trading Company established an International Aviation Depart-

ment to promote the sale of aviation fuel to airlines.

Gulf's Latin American sales activities are directed from the headquarters of Latin American Gulf Oil Company in Coral Gables, Florida, and include full line Gulf brand operations principally in the Caribbean area including Puerto Rico, the Caribbean Islands, Central America and Venezuela. Latin American sales have been showing an annual percentage volume increase substantially higher than other operating areas.

At the end of 1967, Gulf expanded its Latin American operations by acquiring a network of 99 retail outlets in Ecuador. Other properties acquired there included terminal and storage facilities and a small refinery.

In Chile, operations proceeded to establish a Gulf company to handle the sale of Gulf lubricating oils.

In the Far East, where marketing activities fall under Pacific Gulf Oil Company, Tokyo, an outstanding development has been the rapid increase of product sales in South Korea by Korea Oil Corporation in which Gulf has a 25% interest. KOCO sales in 1965 were approximately 27,000 barrels per day, grew in 1966 to 39,800 barrels per day, and in 1967 reached 66,400 barrels per day. Within the next two years it is predicted that sales will exceed 100,000 barrels per day.

The policy of upgrading older service stations and of building new ones in areas of high volume potential continued both in the United States and elsewhere. This station in Gothenburg, Sweden, is one of more than 200 opened during the year in the ten European countries in which Gulf markets its products.

Gulf Travel Card holders like the convenience of their cards being accepted for food, lodging and services at some 900 Holiday Inns of America. The convenience of a Gulf card was further enhanced during the year through an arrangement between Gulf and Avis Rent-a-Car for its use for automobile rentals.

In 1967, Gulf increased its stake in the Korean market by taking a 25% interest in a Korean distributing company which deals in fuel oils.

In the Philippines, Filoil Marketing Corporation increased its sales to the level of 15,000 barrels per day. Filoil has more than 300 retail outlets in the islands.

A gratifying growth pattern has been demonstrated for Gulf product sales in Hong Kong, where Gulf's distributor is Hong Kong Oil Company. In 1967 a new, modern products terminal was completed in Hong Kong, the use of which will substantially reduce the cost of supplying product and permit further expansion of sales.

Nuclear Energy

On April 25, 1967, at the annual meeting of shareholders, Gulf announced an exploration program for uranium. By the middle of the year an active program, largely in the western areas of the United States and Canada, was under way.

It was further stated at the annual meeting that: "Our interest in nuclear energy will be broader than this. Just as Gulf traditionally has sought to obtain an integrated position in petroleum, we will likewise seek integration in the nuclear energy business."

On October 19, Gulf announced that agreements had been reached whereby the General Atomic Division of General Dynamics Corporation would become a wholly-owned subsidiary of Gulf. The new company was subsequently named Gulf General Atomic Incorporated.

Gulf General Atomic is internationally recognized as a pioneer in the development of high temperature gas-cooled reactors known as HTGR for electric power generation. In addition, it is a broadly diversified technological company, with activities ranging from advanced scientific research and development through the production of advanced products including nuclear fuels, to the furnishing of complete nuclear steam systems for central power stations. Its principal facilities are located at San Diego, California, with a staff of more than 2,000 people. It developed and supplied the reactor for the world's highest efficiency nuclear power station at Peach Bottom, Pennsylvania, and this plant is now in commercial operation on the Philadelphia Electric Company's system.

It is presently prime contractor to build a 330 megawatt HTGR power plant for the Public Service Company of Colorado, which is being developed under the United States Atomic

Complex of Gulf General Atomic at San Diego, California, which was acquired by Gulf in October, 1967.

Energy Commission Power Reactor Demonstration Program. The Colorado plant is named the Fort St. Vrain Nuclear Generating Station, near Denver, and Gulf General Atomic will not only supply the turn-key plant but will also furnish 8 years of nuclear fuel supply.

Working with a number of U.S. utility companies and the Atomic Energy Commission, Gulf General Atomic is also developing an advanced breeder concept based on gas-cooled technology, called GCFR (gas-cooled fast reactor), for which a 1,000 MW preliminary study has recently been completed.

Gulf General Atomic is also engaged in the development and production of a number of other products and services. These include the TRIGA reactor for training, research and isotope production, 41 of which are in operation or under construction in various countries around the world; a reverse osmosis process for desalination of brackish and sea water and the purification of waste water for industrial and household uses; machines to form material through use of an electro-magnetic process, and the development of a lightweight zinc-air electric battery propulsion system for vehicles. It also is engaged in important national defense work on analysis of nuclear effects, and is carrying on the development of thermo electric devices and thermionic space reactors for the National Aeronautics and Space Administration and the AEC.

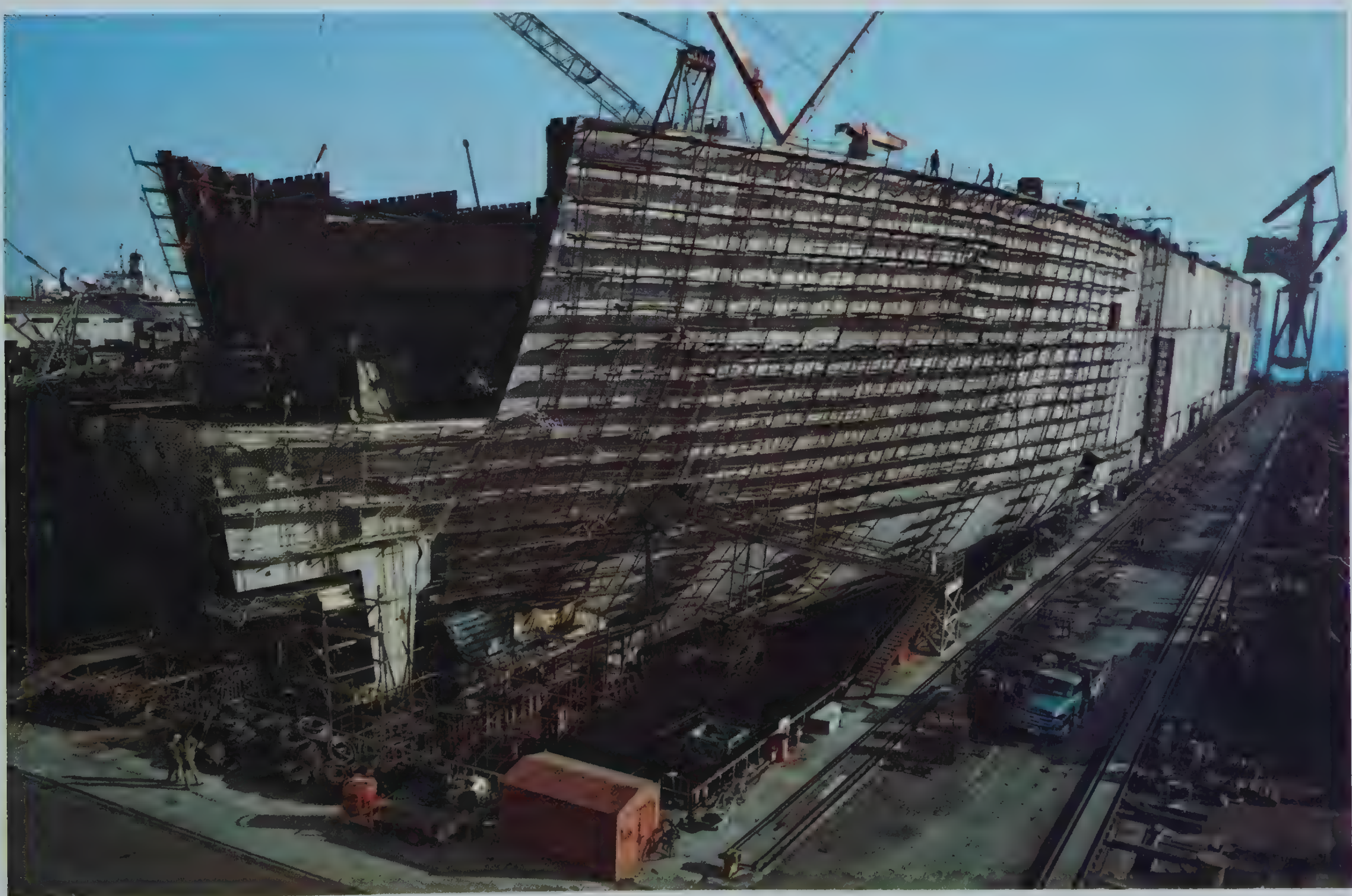
Gulf General Atomic is an international operation, with a European subsidiary based in Zurich, Switzerland, and now operating under the name of General Atomic Europe Development Corporation. In December, an agreement was reached between Gulf General Atomic and the Swiss Atomic Energy Authority for a common research and development program to study gas-cooled fast breeder reactors. Studies under this joint program will proceed at the Gulf General Atomic plant in San Diego and simultaneously at the Swiss Federal Institute for Reactor Research at Wuerenlingen.

Transportation

Gulf's transportation activities are all aimed at one accomplishment—to reduce the costs of moving raw materials and products to market.

The pursuit of this aim has resulted in many

First of six 312,000-ton tankers to be delivered this year under charter to Gulf takes shape. The vessels, which exceed 1,100 feet in length and are the largest ever built, will be capable of carrying approximately 2,225,000 barrels of oil on each trip. They will be used to move crude oil from the Middle East to a new trans-shipment terminal in Bantry Bay, Ireland.



innovations and transportation improvements over the past years. These include automating ships and terminal loading racks; installing computers to assist warehouse managers in organizing the most economical truck routes and packing systems; using lighter weight aluminum tanks on over-the-road trucks; enlarging the capacities of barges and railroad tank cars; and by participating, on an equity basis, in such very large undertakings as the Colonial Pipeline Company.

Colonial is a 36-32-30 inch line that extends from the Texas Gulf Coast to the New York Harbor area, with take-off terminals at various points along the way, and moves more than one million barrels of petroleum products per day. The cost for delivery the full distance from Houston, Texas, to Linden, New Jersey, is less than one cent a gallon. Since its completion in 1964, the capacity of the Colonial line has been increased by the installation of additional pumping facilities. Still another increase was authorized in 1967, which will increase capacity to 1,152,000 barrels per day on the 36 inch segment of the line that extends from Houston to Greensboro, North Carolina, and to 768,000 barrels per day on the 32 inch line that extends from Greensboro to Baltimore, Maryland and 732,000 barrels per day on the 30 inch line from Baltimore to Linden.

In 1966, Gulf announced that it had made arrangements with National Bulk Carriers, Inc., for long-term charters on six 312,000 deadweight ton tankers. Two of these ships are now nearing completion and the first is expected to go into service in the fourth quarter of 1968. These ships will be used initially to transport crude oil from Kuwait to a trans-shipment terminal in Bantry Bay, Ireland, whence delivery to European refineries will be completed in 100,000-ton ships. The construction of the Irish terminal, as well as a new deep water loading dock in Kuwait, continued during 1967, and these new facilities are expected to become operative at the same time that the first of the big tankers is delivered.

Also in 1967, Gulf obtained a permit from the Government of the Ryukyu Islands for the construction of a second big trans-shipment terminal in Okinawa. The Okinawa terminal will permit Gulf to use the big tankers in the delivery of both West African and Middle East crudes to Far East customers with the highest degree of economy and flexibility.

In December, 1967, a new tanker, the LA RABIDA, of 98,000 deadweight tons, was launched at Cadiz, Spain. She will be operated by Compania Maritima Rio Gulf, S.A. and is the first Spanish-built tanker to join the Gulf fleet.

Research

Gulf maintains the Gulf Research & Development Company as a wholly-owned subsidiary for the purposes of carrying out broad lines of scientific inquiry, aimed primarily at creating and developing new products which will improve the company's competitive position, and new processes which will increase operational efficiency and profitability.

It is a continuous activity in which significant developments sometimes require years of experimentation and testing.

During 1967, some of the activities involving research were:

—Work was begun on the design of a 25,000 barrel-per-day hydrodesulfurization unit. This unit, the first of its kind, will utilize a process which has been under development at GR&DC for some time. Charge stock to the unit will be Kuwait reduced crude, and the heavy fuel oil produced will meet the stringent new specifications on sulfur content.

—There was put into operation a floating research-exploration laboratory named the GULFREX, which, for a number of years ahead, will explore the oceans of the world. A 220-foot converted fishing trawler, the GULFREX has been described as one of the world's largest privately owned ocean research ships, and its purpose is to conduct a long-range study of marine exploration techniques and to gather a broad range of oceanographic information.

—An agreement was made between The Pittsburg & Midway Coal Mining Company, a Gulf subsidiary, and the Office of Coal Research of the U.S. Department of the Interior, for the construction of a large coal de-ashing pilot plant which will be located at Tacoma, Washington. The product of this plant is a low-ash

Pollution studies get high priority at Gulf Research. Here exhaust emissions are being collected from an automobile being operated under simulated road conditions. Next, the sample will be transferred to a smog chamber where high-intensity lamps simulate sunlight so that photochemical reactions take place, as they do in the atmosphere over some cities. Studies show that gasoline-powered vehicles can be modified to effect a reduction of objectionable emissions.

The GULFREX *is probably the world's largest private oceanographic research and exploration vessel. The ship, which is under a long-term contract to Gulf, is being used to conduct long-range, world-wide research projects on marine exploration techniques and to gather a broad range of oceanographic information.*

material of low-sulfur content which can either be burned as a solid or melted and used as a heavy fuel. Gulf Research is involved in supporting work on this project and a program of exploratory work on the ultimate conversion of coal to gasoline.

—Gulf researchers are continuing active participation in the American Petroleum Institute and other industry air conservation programs. This involves the evaluation of devices for reducing automotive exhaust emissions and the study of the effects of fuel composition, volatility and additives on hydrocarbon emissions. A highly instrumented mobile trailer laboratory has been designed and will soon be available to carry out on-site analyses for possible air pollutants in refineries and chemical plants. Research is also underway which should provide new methods of purifying stack gases in industrial and power plants.

—Product research achieved important new advances in the performance capabilities of Gulf automotive and industrial lubricants. These included Gulfpride Single-G, Gulfpride-Motor and Gulflube Motor Oil X.H.D. for which two multiviscosity grades were developed (10W/30 and 20W/40) to serve the fleet account and contractor markets. In the field of specialties, product research completed development of a new product of outstanding quality, "Gulf Multi-Purpose Insect Killer".

—Important progress was made in a number of areas of catalysis research. These included new catalysts for the oxidative dehydrogenation of paraffins to valuable chemical raw materials and gasoline feedstocks and new materials for the conversion of hydrocarbons to a variety of chemicals.

—Cooperative research programs were initiated with the British American Research Centre and the Shawinigan Chemicals Research Department in the fields of determination of basic physical and thermodynamic data required for engineering design and improvements in the production of ethylene from naphtha cracking.

In the latter part of 1967, a new department was established which has the responsibility of coordinating Gulf's world-wide computer activities and communication systems, as well as operating the multi-purpose data centers in the United States. The company has long been a leader in electronic computer applications in the research, technical, operations and financial areas. Centralizing of these activities will facilitate an orderly extension of this technology into other phases of operations where significant savings may be realized.

Employee Relations

Among large U.S. corporations, Gulf has become distinguished for the relatively large percentage of its employees who are regular purchasers of U.S. Savings Bonds. To a great extent this is because more than 84 per cent of the eligible employees are participating in the Gulf Savings-Stock Bonus Plan. This Plan was set up in 1950 for the dual purpose of encouraging U.S. employees to set aside a portion of their earnings in U.S. Savings Bonds and enabling them to become shareholders of the company. Its operation has been outstandingly successful. Over 17,500 employees shared in the latest annual Plan distribution.

During 1967 Gulf inaugurated a Military Leave Plan for the benefit of employees who are called into active service with the U.S. Armed Forces. An employee who is granted a leave under the Plan receives a payment (generally one month's pay) from Gulf when the leave starts and also receives monthly payments while he is in military service if his military pay is less than half his Gulf pay. Gulf thus continued its tradition of recognizing the importance to the company of its employees who enter government service during critical periods. Gulf earlier had military service plans during World War II and during the Korean conflict.

As a part of its broad based manpower development and training programs, Gulf also initiated during 1967 a general tuition assistance policy. The purpose of the policy is to encourage each employee to undertake further studies on his own time and thereby to improve his present job performance or to develop his potential for advancement in the Gulf organization. To this end from 75 per cent to 100 per cent of the employee's tuition for approved courses may be paid by Gulf.

Gulf now has employees stationed in more than 45 Free World countries. During 1967 relations with organized employees continued to be harmonious. Numerous contracts were negotiated. There were relatively few grievance or arbitration cases presented and there were no work stoppages that materially affected the company's operations.

In a continued effort to prevent disasters and frequency of accidents in all of Gulf's operations throughout the world, increased emphasis has been placed on safety. During the year 1967, the Vengref refinery at Puerto La Cruz, Venezuela, and the refinery at Port Arthur completed records of over 1,000,000 man hours without a lost-time accident.

Financial Review

Record Earnings and Dividends

The earnings for 1967 were the highest in Gulf's history and reflected the increased levels attained in practically all phases of operations. Earnings during 1967, excluding extraordinary items, amounted to $568,347,000 or 12.6% more than the $504,762,000 earned in 1966. The 1967 earnings were equivalent to $5.48 per share compared with $4.87 for 1966, based on the number of shares outstanding at the end of each year. In addition, the corporation realized a gain of $25,142,000 on the sale of its interest in Transwestern Pipeline Company and incurred a loss of $11,300,000 due to devaluation of certain currencies in the Eastern Hemisphere. The net effect of these nonrecurring items after federal income taxes was an increase in income of $9,940,000 or 10 cents per share. Including these extraordinary items, net income totaled $578,287,000, equivalent to $5.58 per share.

Cash dividends paid to shareholders amounted to $259,142,000, representing 19.1% more than the previous year. The quarterly dividend was increased from 55 cents to 65 cents per share commencing in the second quarter of the year. This resulted in a total dividend payment of $2.50 per share for 1967 compared with the $2.10 per share paid in 1966. The December 1967 dividend represented the 128th consecutive quarterly payment made to shareholders, and the year 1967 marked the 15th consecutive year in which cash dividends were increased.

Capital and Exploratory Expenditures

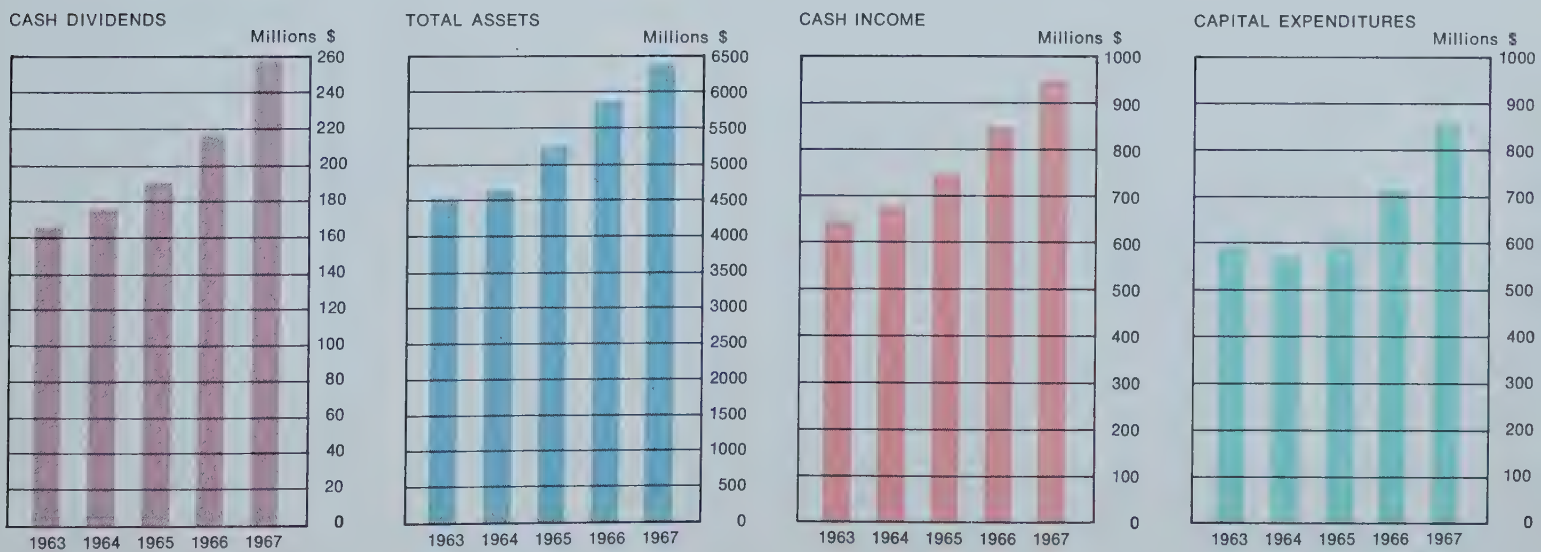
During 1967, Gulf maintained the same high rate of balanced growth, expansion, and diversification which has prevailed over the previous five years. As a consequence, capital expenditures for properties, plants, equipment and related business investments rose to a new peak of $864,852,000. The company also expended $106,244,000 in the search for new sources of crude oil, natural gas, phosphate, potash and nuclear fuels. This latter amount, which was charged directly against income, included dry hole and incomplete wildcat well costs of $62,798,000. All of these outlays were evidence of the company's policy to capitalize fully on the many and varied investment opportunities which arise, and thereby enhance earnings in future years.

Funds Generated and Required

Consistent with the higher operating levels achieved, the funds generated from operations in 1967 reached a new high of $950,881,000. This amount was not sufficient, however, to finance the substantial capital and exploratory outlays along with the increased dividend payments to shareholders. The additional funds were provided by an increase in long-term borrowings of $90,701,000 and a decrease in working capital of $20,054,000.

Change in Reporting Volume Data

Commencing in 1967, volume data reported in the five-year operating summary and referred to elsewhere in this Report include 100% of the volumes for all subsidiaries consolidated (more than 50% owned). In prior years, such volume data included Gulf's share in all operations in which it had an interest. Accordingly, the volumes for prior years have been restated for comparative purposes.



Consolidated Statement of Employment of Funds

	Years Ended December 31	
	1967	1966
Funds Were Received from		
Sales and other revenues	$5,174,464,000	$4,716,854,000
Funds Were Paid for		
Purchased crude oil, products and merchandise	1,286,611,000	1,205,996,000
Taxes on income and general taxes	1,431,627,000	1,312,358,000
Wages, salaries and employee benefits	456,341,000	419,295,000
Other expenses	1,049,004,000	931,903,000
	4,223,583,000	3,869,552,000
Funds Left from Operations	950,881,000	847,302,000
Additional Funds Were Received from		
Long-term borrowings, less retirements	90,701,000	208,368,000
Deferred revenues	—	73,690,000
Other items—net	72,950,000	16,457,000
	163,651,000	298,515,000
Total Funds Provided for the Year	1,114,532,000	1,145,817,000
Funds Were Used for		
Properties, plants and equipment	771,739,000	635,157,000
Related business investments	93,113,000	80,173,000
Cash dividends to Gulf shareholders	259,142,000	217,583,000
Cash dividends by subsidiaries to minority shareholders	9,718,000	9,201,000
Acquisition of Gulf stock for corporate purposes	874,000	2,792,000
	1,134,586,000	944,906,000
Increase (Decrease) in Working Capital	$ (20,054,000)	$ 200,911,000

Consolidated Statement of Financial Position

	December 31	
	1967	1966
Assets		
Current Assets		
Cash	$ 103,503,000	$ 121,292,000
Marketable securities, at cost, approximating market value	349,153,000	382,995,000
Receivables, less allowance for doubtful accounts of $12,656,000 and $19,149,000 respectively	876,777,000	765,420,000
Inventories of crude oil, products and merchandise	456,966,000	403,317,000
Materials and supplies	70,864,000	58,096,000
Total Current Assets	1,857,263,000	1,731,120,000
Investments and Long-Term Receivables		
Associated companies (50% or less owned)	157,543,000	174,575,000
Other	318,557,000	202,068,000
Total Investments and Long-Term Receivables	476,100,000	376,643,000
Properties, Plants and Equipment, at cost, less accumulated depreciation, depletion and amortization	4,068,310,000	3,723,196,000
Prepaid and Deferred Charges	56,281,000	60,554,000
TOTAL ASSETS	$6,457,954,000	$5,891,513,000
Liabilities		
Current Liabilities		
Notes payable and current portion of long-term debt	$ 165,658,000	$ 76,654,000
Accounts payable and accrued liabilities	652,906,000	561,934,000
Accrued United States and foreign income taxes	187,306,000	221,085,000
Total Current Liabilities	1,005,870,000	859,673,000
Long-Term Debt	694,016,000	609,123,000
Deferred Revenues	61,625,000	73,690,000
Other Long-Term Liabilities	69,032,000	50,726,000
Minority Interests in Subsidiaries Consolidated	215,347,000	209,743,000
TOTAL LIABILITIES	2,045,890,000	1,802,955,000
Shareholders' Equity		
Par Value of Capital Stock Issued	881,983,000	881,662,000
Other Capital	706,105,000	704,820,000
Earnings Retained in the Business	2,921,551,000	2,602,406,000
	4,509,639,000	4,188,888,000
Less Treasury Shares, at cost	97,575,000	100,330,000
TOTAL SHAREHOLDERS' EQUITY	4,412,064,000	4,088,558,000
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$6,457,954,000	$5,891,513,000

The notes on pages 27 to 29 are an integral part of the financial statements.

Consolidated Statements of Income and Earnings Retained in the Business

	Years Ended December 31	
	1967	1966
INCOME		
REVENUES:		
Sales and other operating revenues	$5,109,597,000	$4,655,983,000
Dividends, interest and other revenues	64,867,000	60,871,000
	5,174,464,000	4,716,854,000
DEDUCTIONS:		
Purchased crude oil, products and merchandise	1,286,611,000	1,205,996,000
Operating, selling and administrative expenses	1,475,522,000	1,326,425,000
Taxes on income and general taxes	1,431,627,000	1,312,358,000
Depreciation, depletion, amortization and retirements	367,746,000	328,398,000
Interest on long-term debt	29,823,000	24,773,000
Income applicable to minority interests in subsidiaries consolidated	14,788,000	14,142,000
	4,606,117,000	4,212,092,000
INCOME BEFORE EXTRAORDINARY ITEMS	568,347,000	504,762,000
Extraordinary items net of federal income taxes (see note)	9,940,000	—
NET INCOME	$ 578,287,000	$ 504,762,000
Per share of stock outstanding at end of year:		
Income before extraordinary items	$5.48	$4.87
Extraordinary items, net of federal income taxes	.10	—
NET INCOME PER SHARE	$5.58	$4.87
EARNINGS RETAINED IN THE BUSINESS		
BALANCE AT BEGINNING OF YEAR	$2,602,406,000	$2,315,514,000
Net Income	578,287,000	504,762,000
	3,180,693,000	2,820,276,000
Cash dividends paid ($2.50 and $2.10 per share, respectively)	259,142,000	217,583,000
Net charge resulting from exchanging treasury shares in a pooling of interests	—	287,000
	259,142,000	217,870,000
BALANCE AT END OF YEAR*	$2,921,551,000	$2,602,406,000

*Excludes amounts transferred to capital. Approximately $106,400,000 of consolidated retained earnings is restricted as to payment of dividends.

The notes on pages 27 to 29 are an integral part of the financial statements.

Notes to Financial Statements

Principles of Consolidation

The consolidated financial statements include the accounts of Gulf Oil Corporation and all subsidiary companies.

Consolidated net assets related to operations in the United States amount to $2,753,000,000, in Canada to $368,000,000, in Other Western Hemisphere areas to $209,000,000, and in the Eastern Hemisphere to $1,082,000,000. Consolidated net income includes amounts attributable to operations in the United States of $412,000,000, in Canada of $25,000,000, in Other Western Hemisphere of $36,000,000, and in the Eastern Hemisphere of $105,000,000.

Balances and transactions in foreign currencies have been converted to United States dollars as follows: net current assets, long-term receivables and long-term debt— at rates current at end of period; long-term investments and properties, plants and equipment—at rates current on dates of acquisition; accumulated depreciation, depletion and amortization and related provisions against income—on the basis of dollar value of the related assets; and operating income and other expenses at average monthly rates.

Inventories

Inventories of crude oil, products and merchandise generally are valued at average cost applied on the "last-in, first-out" basis, which in the aggregate is lower than market value.

Certain subsidiaries in the Eastern Hemisphere value these inventories at the lower of moving average cost or market, and in Canada at the lower of average cost applied on the "first-in, first-out" basis, or market value. Materials and supplies generally are valued at cost or less depending on the condition of the items.

Investments

Investments and long-term receivables are stated at cost, less allowance for losses of $5,659,000 in 1967 and $5,269,000 in 1966, except for the investments in 50% owned companies which are stated at Gulf's equity in these companies.

Extraordinary Items

During the year the corporation realized a gain of $25,142,000 on the sale of its investment in Transwestern Pipeline Company. In addition, a loss of $11,300,000 was incurred as a result of devaluation of foreign currencies. After federal income taxes of

Long-Term Debt	December 31 1967	December 31 1966
GULF OIL CORPORATION		
5.35% sinking fund debentures due in 1991	$100,000,000	$100,000,000
5 to 5¼% notes payable 1969 through 1973	89,000,000	89,000,000
3% note payable 1969 through 1973	69,000,000	69,000,000
4½% notes payable in 1970	61,000,000	61,000,000
2½% note payable 1968 through 1972	40,000,000	45,000,000
4⅞% notes payable 1968 through 1982	26,250,000	28,000,000
Other obligations	25,856,000	17,030,000
	411,106,000	409,030,000
CONSOLIDATED SUBSIDIARIES		
United States dollars—3¾ to 7¼% payable 1968 through 1991*	163,920,000	76,816,000
Canadian dollars—3½ to 6¾% payable 1968 through 1982	49,019,000	49,475,000
British pounds—4 to 6¾% payable 1968 through 1984	29,359,000	35,186,000
German marks—4 to 5¾% payable 1968 through 1980	25,035,000	25,033,000
Swiss francs—5 to 6⅛% payable 1968 through 1981	14,748,000	13,153,000
Dutch guilders—5½ to 6¼% payable 1968 through 1971	12,334,000	4,493,000
Other currencies—5 to 8% payable 1968 through 1973	18,065,000	19,699,000
	723,586,000	632,885,000
INCLUDED IN CURRENT LIABILITIES	29,570,000	23,762,000
LONG-TERM DEBT	$694,016,000	$609,123,000

*Largely borrowings outside United States.

$3,902,000, these nonrecurring items resulted in a net credit to income of $9,940,000 which is included in the income statement as extraordinary items.

Deferred Revenues

Effective in July 1966 Gulf Oil Corporation acquired the net assets of The British-American Oil Producing Company, subject to a production payment of $78,771,951. The British-American Oil Producing Company was formerly a wholly-owned subsidiary of The British American Oil Company Limited which in turn is a majority-owned subsidiary of Gulf Oil Corporation. An amount equivalent to this production payment has been deferred in the consolidated accounts and is being credited to income over a period estimated to be twelve years from the date of the transaction.

Commitments

The companies have noncancellable tanker charters expiring at various dates to the year 1985 for which minimum rentals for 1968 are approximately $47,000,000. The companies also have noncancellable leases for service stations, office space, tank cars and other property for which minimum rentals payable in 1968 are estimated at $58,000,000. Rental income from all such properties subleased and chartered to others is estimated at $56,000,000 for 1968.

The companies have commitments in the ordinary course of business for the acquisition or construction of properties, plants and equipment and for the purchase of materials, supplies and services which in the opinion of the officers are not significant in relation to the net assets of the companies.

Contingent Liabilities

The companies were contingently liable for guarantees of loans payable by associated companies, owners of service stations and others in the amount of $87,000,000. Officers of the corporation are of the opinion no losses of any consequence will result.

Incentive Compensation Plan

Pursuant to the provisions of the Plan, the charge against income for 1967 was $11,780,000. To the extent that this amount is awarded to participants, part will be paid in cash or stock of the corporation in 1968 and the balance of the total amount awarded will be payable in cash or stock in annual installments in future years, subject to forfeiture provisions.

Pension Plan

As of January 1, 1967 the Board amended the Plan to provide additional benefits for those eligible under the Plan and authorized supplemental benefits to be paid persons retired prior to 1967. Effective with these changes, the period of amortizing prior service costs was increased to fifteen years and the annual rate for recognition of unrealized appreciation in investments was increased. The net effect of the changes was to increase pension expense for the year by approximately $8,000,000.

During the year the corporation charged to income and accrued for payment to the Trustee $14,395,551 for current and prior service pension costs. The actuarially estimated unfunded prior service cost of the Plan and the unfunded cost of the additional benefits for persons retired prior to 1967 aggregated $134,000,000 at December 31, 1967.

In addition to this Plan various subsidiaries have plans, the effect of which is not significant in these financial statements.

Properties, Plants and Equipment

	December 31, 1967		Year 1967	
Departments	Gross Investment at Cost	Accumulated Depreciation, etc.	Depreciation, etc. charged to income	Expenditures
	(Thousands of Dollars)			
Exploration & Production	$4,054,722	$2,254,569	$ 198,437	$ 293,825
Transportation	517,088	224,533	17,515	60,258
Refining	1,266,637	694,020	51,559	85,420
Chemicals	323,874	100,079	18,776	68,773
Marketing	1,442,279	474,119	66,251	175,175
Other	295,648	84,618	15,208	88,288
	$7,900,248	$3,831,938	$ 367,746	$ 771,739

Costs of undeveloped leases generally are amortized from date of acquisition, based on average holding period, and are trans-

Capital Stock, Other Capital and Treasury Shares

	Capital Stock		Other Capital	Treasury Shares at Cost	
	Number of Shares	Amount	Amount	Number of Shares	Amount
Balance December 31, 1966	105,799,501	$881,662,000	$704,820,000	(2,191,468)	$(100,330,000)
Sale of stock to option holders	38,459	321,000	1,285,000	11,551	469,000
Treasury shares acquired and other disposals (net)	—	—	—	59,817	2,286,000
Balance December 31, 1967	105,837,960	$881,983,000	$706,105,000	(2,120,100)	$(97,575,000)

There are 150,000,000 shares of capital stock authorized with a par value $8.33⅓ each. At December 31, 1967 there were 103,717,860 shares outstanding after deducting shares held in the treasury for corporate purposes.

ferred to producing properties if production is obtained; the costs of leases relinquished are charged to accumulated amortization. In Venezuela lease costs are not amortized but are charged directly to income if the leases are relinquished. Exploration costs and costs of dry holes are charged currently to income. The provisions for depreciation and depletion of producing leases, lease and well equipment and intangible drilling costs represent charges per unit of production based on estimated recoverable oil and gas reserves.

Provisions for depreciation and amortization of properties other than those of the exploration and production departments are generally determined on the group method based on estimated remaining useful economic lives of groups of related properties, plants and equipment. Under this method rates are revised when a change in life expectancy becomes apparent. Maintenance and repairs are charged to income and renewals and betterments which extend the physical or economic life of the properties are capitalized.

Properties retired or otherwise disposed of are eliminated from the property accounts and the amounts, after adjustment for salvage and dismantling expenses, are charged to accumulated depreciation or depletion; only gains and losses on extraordinary retirements, retirements involving entire groups of properties and properties retired or otherwise disposed of by a Canadian subsidiary are taken to income.

Taxes on Income and General Taxes

	1967	1966
Consumer excise taxes	$ 907,476,000	$ 874,146,000
U. S. and foreign income taxes	377,681,000	309,107,000
Import duties	37,051,000	32,429,000
Other taxes	109,419,000	96,676,000
	$1,431,627,000	$1,312,358,000

The current practice is to reduce the current income tax provision by the amount of the investment credit. The effect on income in 1967 and 1966 was not material.

Stock Options

A summary of changes for the year in capital stock of the corporation reserved for sale to officers and employees under stock options is as follows:

	Reserved Shares		
	Under Option	Not Optioned	Total
Balance December 31, 1966	247,270	219,921	467,191
Options granted: April 21, 1967	120,400	(120,400)	—
Options exercised at prices ranging from $27.07 to $56.00 a share	(50,010)		(50,010)
Options expired	(186)	98	(88)
Balance December 31, 1967	317,474	99,619	417,093

The balance of reserved shares under option at December 31, 1967 consisted of (a) 309,965 shares of unissued stock reserved for options at prices ranging from $27.07 to $65.25 a share (fair market values at dates granted) which are exercisable after one year from date granted and expire periodically to April 21, 1977 and (b) 7,509 shares of treasury stock reserved for assumed obligations for options at prices ranging from $30.74 to $44.72 a share, which are exercisable periodically and expire periodically to October 23, 1969.

OPINION OF INDEPENDENT ACCOUNTANTS

PRICE WATERHOUSE & CO.
TWO GATEWAY CENTER
PITTSBURGH 15222

February 27, 1968

To the Shareholders and Board of Directors of Gulf Oil Corporation

In our opinion, the accompanying statement of financial position, the related statements of income and earnings retained in the business and the statement of employment of funds present fairly the consolidated financial position of Gulf Oil Corporation and its subsidiaries at December 31, 1967, the results of their operations and the supplementary information on funds for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the consolidated financial statements of The British American Oil Company Limited and its subsidiaries; our opinion, insofar as it relates to the amounts included for these companies, is based upon the report of other independent accountants.

Price Waterhouse & Co.

Five Year Financial Summary

	1967	1966	1965	1964	1963
		(Dollar amounts in thousands)			
Sales and other operating revenues (including consumer excise taxes)	$5,109,597	$4,655,983	$4,185,253	$3,803,682	$3,577,065
Income before extraordinary items	$ 568,347				
Per share*	$5.48				
Per dollar of sales and other operating revenues	11.1¢				
Net Income	$ 578,287	$ 504,762	$ 427,233	$ 395,118	$ 371,353
Per share*	$5.58	$4.87	$4.12	$3.81	$3.56
Per dollar of sales and other operating revenues	11.3¢	10.8¢	10.2¢	10.4¢	10.4¢
Cash dividends paid	$ 259,142	$ 217,583	$ 191,723	$ 176,703	$ 166,506
Per share	$2.50	$2.10	$1.85	$1.70	$1.60
Financial condition at year end					
Total assets	$6,457,954	$5,891,513	$5,210,833	$4,667,070	$4,549,475
Working capital (current assets less current liabilities)	$ 851,393	$ 871,447	$ 670,536	$ 647,136	$ 759,825
Ratio of current assets to current liabilities	1.85	2.01	1.87	2.09	2.23
Long-term debt (includes portion in current liabilities)	$ 723,586	$ 632,885	$ 423,930	$ 281,333	$ 297,389
Employed capital (shareholders' equity, long-term debt, minority interests, deferred revenues)	$5,412,622	$5,004,876	$4,436,358	$4,057,642	$3,908,893
Shareholders' equity	$4,412,064	$4,088,558	$3,818,502	$3,590,781	$3,409,759
Per share*	$42.54	$39.46	$36.86	$34.63	$32.73
Properties, plants and equipment—gross	$7,900,248	$7,328,389	$6,844,250	$6,142,897	$5,788,386
Properties, plants and equipment—net	$4,068,310	$3,723,196	$3,438,579	$2,947,796	$2,748,458
Expenditures for plants and related business investments	$ 864,852	$ 715,330	$ 594,514	$ 579,135	$ 592,349
Depreciation, depletion, amortization and retirements	$ 367,746	$ 328,398	$ 306,091	$ 266,465	$ 259,539
Exploration expense including dry holes	$ 106,244	$ 101,030	$ 91,203	$ 70,147	$ 99,766
General taxes and import duties	$ 146,470	$ 129,105	$ 120,840	$ 87,325	$ 80,297
Income taxes	$ 377,681	$ 309,107	$ 228,494	$ 212,225	$ 168,712
Consumer excise taxes	$ 907,476	$ 874,146	$ 800,512	$ 629,350	$ 599,165
Total taxes	$1,431,627	$1,312,358	$1,149,846	$ 928,900	$ 848,174
Shareholders at year end	163,450	162,031	159,082	158,177	158,519
Shares outstanding at year end (in thousands)	103,718	103,608	103,589	103,685	104,182
Employees at year end	58,300	55,600	55,200	54,200	53,200
Employed capital per employee (actual)	$ 92,841	$ 90,016	$ 80,369	$ 74,864	$ 73,475

The year 1965 is the first to include financial data for marketing, refining and transportation companies operating in the Eastern Hemisphere.
**Per share computation is based on shares outstanding at the end of each year.*

A financial and statistical supplement to the 1967 Annual Report is available to shareholders. Copies may be obtained by writing to Russell G. Connolly, Vice President and Secretary, Gulf Oil Corporation, P.O. Box 1166, Pittsburgh, Pennsylvania 15230.

Five Year Operating Summary (World-wide)

	1967	1966	1965	1964	1963
Net crude oil and condensate produced—daily average barrels					
United States	510,646	471,406	438,841	413,447	394,075
Canada	64,664	60,518	57,410	55,040	51,435
Other Western Hemisphere	198,521	156,434	160,282	158,618	164,260
Eastern Hemisphere	1,507,555	1,470,007	1,386,665	1,273,615	1,171,730
Net crude oil and condensate produced	2,281,386	2,158,365	2,043,198	1,900,720	1,781,500
Net natural gas liquids produced—daily average barrels					
United States	65,024	48,271	43,794	40,420	37,578
Canada	9,426	7,009	6,699	6,501	5,071
Other Western Hemisphere	3,092	2,857	2,151	2,723	2,540
Eastern Hemisphere	15,793	16,843	6,954	4,124	2,428
Net natural gas liquids produced	93,335	74,980	59,598	53,768	47,617
Net natural gas produced—thousand cubic feet per day					
United States	2,151,827	1,876,371	1,661,499	1,495,067	1,280,807
Canada	283,074	269,743	270,331	253,855	247,562
Other Western Hemisphere	89,719	86,081	73,718	60,702	48,836
Eastern Hemisphere	163,409	134,420	86,885	78,900	73,323
Net natural gas produced	2,688,029	2,366,615	2,092,433	1,888,524	1,650,528
Gross wells drilled during the year (A)	1,242	1,253	1,358	1,604	1,744
Net wells drilled during the year (B)	841	862	966	1,134	1,193
Crude oil processed—daily average barrels (C)					
United States	706,680	673,888	633,504	602,064	587,999
Canada	191,369	182,275	156,562	152,730	149,830
Other Western Hemisphere	157,751	151,970	155,510	153,232	141,938
Eastern Hemisphere	330,783	315,237	290,394	241,949	204,132
Crude oil processed	1,386,583	1,323,370	1,235,970	1,149,975	1,083,899
Refined products sold—daily average barrels					
United States	764,766	728,346	675,322	632,839	609,892
Canada	193,436	176,117	161,472	154,014	143,574
Other Western Hemisphere	43,651	50,812	52,400	63,083	57,762
Eastern Hemisphere	327,417	297,626	275,841	243,742	198,727
Refined products sold	1,329,270	1,252,901	1,165,035	1,093,678	1,009,955
Coal mined—daily average tons	24,586	24,220	22,428	19,333	16,738
Chemicals sold—daily average tons					
United States	6,925	7,573	6,713	6,504	2,599
Canada	1,178	1,340	1,277	1,382	863
Other Western Hemisphere	87	12	10	6	—
Eastern Hemisphere	178	62	31	24	—
Chemicals sold	8,368	8,987	8,031	7,916	3,462

Beginning in 1967, operating data include 100% of volumes of all subsidiaries consolidated (more than 50% owned). In prior years, operating data included Gulf's share in all operations in which it had an interest. Accordingly, the operating data for these years have been restated for comparative purposes.

(A) Gross wells drilled represent the total number of wells in which all or a part of the working interest is owned by the company.

(B) Net wells drilled represent only that part of the working interest applicable to the company (i.e., the sum of all fractional interests).

(C) Crude oil processed includes portion processed by outsiders for Gulf's account.

OTHER OFFICERS AND MANAGERS

EXPLORATION AND PRODUCTION

H. F. BEARDMORE
Vice President
U. S. Production
Houston, Texas

T. A. KIBBY
Vice President
Latin American Gulf Oil Company
Coral Gables, Florida

ARNOLD E. LAMM
President
The Pittsburg & Midway Coal Mining Co.
Kansas City, Missouri

LUIS ALCALA SUCRE
President
Mene Grande Oil Company
Caracas, Venezuela

G. O. RELF
Vice President
Gulf Eastern Company
Eastern Hemisphere, London, England

REFINING

J. K. WARNE
Vice President
U. S. Refining
Houston, Texas

F. L. BRYAN
Manager, Latin American Operations
Coral Gables, Florida

M. E. HOUSER, JR.
Vice President, Gulf Eastern Company
Eastern Hemisphere, London, England

L. E. CROUP
Vice President, Pacific Gulf Oil Limited
Far East, Tokyo, Japan

MARKETING

R. A. HUNTER
Vice President
U. S. Marketing
Houston, Texas

W. C. BICKEL
Vice President
Central Region
Tulsa, Oklahoma

M. G. FARRIS
Vice President
Southern Region
Atlanta, Georgia

E. F. JACOBS
Vice President
Eastern Region
Philadelphia, Pennsylvania

J. P. KNIGHT
Vice President
Special Assignment
Memphis, Tennessee

J. F. LeSAGE
Vice President
Western Region
Los Angeles, California

C. W. LUTZ
Vice President
Midwest Region
Park Ridge, Illinois

ROBERT G. HUNT
President
Industrial Asphalt, Inc.
Van Nuys, California

B. R. MARTIN
Vice President, Gulf Oil Trading Company
International Marine Sales
New York, New York

R. A. WELLS
Vice President, Gulf Oil Trading Company
International Aviation Sales
Pittsburgh, Pennsylvania

B. C. SHOLTON
Vice President
Latin American Gulf Oil Company
Coral Gables, Florida

ROBERT de RICHEMONT
Vice President, Gulf Eastern Company
Eastern Hemisphere, London, England

H. A. GIDNEY, JR.
Vice President, Pacific Gulf Oil Limited
Far East, Tokyo, Japan

GAS AND GAS LIQUIDS

E. L. PETREE
Executive Vice President
Warren Petroleum Corporation
Tulsa, Oklahoma

K. K. STEINKIRCHNER
Manager, Latin American Operations
Coral Gables, Florida

C. C. McKEE
Manager, Gulf Eastern Company
Eastern Hemisphere, London, England

D. R. JOHNSON
Manager, Far East
Tokyo, Japan

CHEMICALS

D. L. MATTHEWS
Vice President
U. S. Chemicals
Houston, Texas

Back Cover: *Cross section of a coated fuel particle (magnified about 400 times) for use in Gulf General Atomic High Temperature Gas-Cooled Reactors (HTGR) for the generation of electricity by nuclear power.*

E. V. FRIEDRICH
Manager
Agricultural Chemicals
Kansas City, Missouri

W. C. ROHER, JR.
Manager
Plastics
Houston, Texas

J. E. STRAUB
Manager
Petrochemicals
Houston, Texas

F. B. WALKER
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D. P. ASH
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Tokyo, Japan

CRUDE OIL

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Pacific Gulf Oil Limited
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PRODUCT SUPPLY

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Manager
U. S. Product Supply
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Vice President, Gulf Oil Trading Company
International Cargo Sales
New York, New York

ALAN G. COPP
Vice President
Latin American Gulf Oil Company
Coral Gables, Florida

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Tokyo, Japan

AFFILIATED COMPANIES

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The British American Oil Company Limited
Toronto, Canada

FREDERIC de HOFFMANN
Vice President
Gulf Oil Corporation and
President
Gulf General Atomic Incorporated
San Diego, California

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